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Japanese Management in Taiwan

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I Introduction

From a variety of aspects, several researchers and research groups have undertaken surveys which included the management of the Japanese subsidiaries in Taiwan. Of these, the following should be mentioned: Ting-Kuo Chen [1972], Anant R. Negandhi [1973], Japan Institute of Labor [1975], Tsai-Mei Lin [1977], Hajime Sakai [1980], and Hideo Ishida [1984].¹⁾ Chen, Negandhi, and Lin were all comparing the management of Japanese and American subsidiaries and of the local firms in Taiwan, and Lin compared her results with those of the other two. Negandhi's study is based on interviews and a questionnaire survey. His questionnaire sample consists of American and Japanese subsidiaries and local firms, while the interview sample consists of the top managers and local workers at the same local firms and American subsidiaries. Two surveys were conducted by Sakai. In the

first, in 1976, questionnaires were sent only to Japanese subsidiaries, but in the second survey, in 1980, questionnaires were sent to both Japanese subsidiaries and local firms. We will not go into the arguments of the above research here.

In this paper, using the results of a survey undertaken in Taiwan in November 1983, I will investigate how Japanese subsidiaries are introducing and modifying Japanese style management in the specific local environment of Taiwan and what its consequences are. This survey is part of a project concerning the management and labor relations of Japanese subsidiaries in Southeast and East Asian countries. Questionnaires were distributed to 300 Japanese subsidiaries in Taiwan through the Japanese Chamber of Commerce in Taipei; one questionnaire for Japanese top managers (in Japanese) and two questionnaires for local middle managers (in Chinese) were sent to each company. The former were collected by the Japanese Chamber of Commerce in Taipei and the latter by Chi Shieve of Taiwan National University. The number of completed questionnaires for Japanese top managers and local middle managers were 85 and 144, respectively. Thus, the completion rates were 28.3% and 24.0%, respectively. In November 1983, K. Urabe and I visited Taiwan and interviewed Japanese top

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1) The size of the samples of the Japan Institute of Labor's and Ishida's surveys are very limited. Sakai's article summarizes the results of the two surveys undertaken by the Institute of Industrial Relations, Kinki University, where he is affiliated.

managers and local middle managers of 16 Japanese subsidiaries. I shall use the information from the above interviews for the following arguments.

In the next section, I will give a brief description of the economy and labor market of Taiwan. In section III, I will give a brief profile of Japanese subsidiaries in Taiwan. In section IV, I will present and discuss the answers of the Japanese top managers of Japanese subsidiaries in Taiwan, and will compare the answers of Japanese top managers and local middle managers. In both sections IV and V, I will compare the survey results from Taiwan and those from the ASEAN countries.

II The Economy and Labor Market of Taiwan²⁾

The recent economic development of Taiwan is remarkable. For example, the average annual economic growth rates between 1963 and 1972 and between 1973 and 1982 are 10.8% and 7.9%, respectively, which are high by world standards during those periods. Because of the rapid economic development in Taiwan, especially the rapid development of manufacturing industry, excess supply of labor has been constantly declining, particularly in the 1970s and 1980s, which has caused a rapid increase in wage rates. For example, the

nominal wage rate in manufacturing industry rose by about 165 percentage points from 1976 through 1982, an average annual growth rate of the nominal wage rate of 17.6%. Taiwan had been considered one of the low labor cost countries, but now, this impression should be changed, although the average increase in the real wage rate, 7.4%, does not exceed the average annual growth rate of labor productivity, 8.9%, during the same period. Thus, the foreign subsidiaries which directly invested in Taiwan because of her low labor costs may be forced to change their strategies in the near future.

Because of the rapid economic development and the increase in the demand for labor in Taiwan, the unemployment rate has been fairly low, that is, below 2% in the second half of the 1970s and 2.18% in 1982, exceedingly low by U.S. or other Western countries' standards and even below that of Japan. Furthermore, labor mobility is increasing. For instance, according to Liu, job mobility rates for male workers increased from 11.0% to 21.4% from 1975 to 1979, and job mobility rates for female workers increased 7.2% to 17.5% in the same period [Liu 1982: 10]. Liu also mentions that, according to a 1975 survey, for males the mobility rate increased from 7.5% for the age group 15-19 to a peak of 16.8% for the age group 25-29, then gradually declined to 6.2% for the age group 55-59 and that, for females, the peak occurred earlier, in the age group 20-24, and the corresponding percentages were 9.5, 11.9, and 2.2 [*loc. cit.*]. He also says that the 1979 patterns paralleled those

2) For general description of the economy of Taiwan, see Taiwan Kenkyusho [1983] and Koryu Kyokai [1983], and for general description of the labor market of Taiwan, see Galenson [1979] and Koryu Kyokai [1982].

of 1975, but at higher levels. Note that 64.7% of the total job changes in 1979 are by quitting [*loc. cit.*]. Furthermore, the average monthly job separation rates in manufacturing industry, from 1973 to 1980, ranged from 3.2 to 3.9%. Note that the average monthly job separation rates in Japan (of firms with over 30 employees) from 1978 and 1981 were constant at 1.4%.

The following brief description of the labor market in Taiwan depends greatly on Galenson [Galenson 1979]. According to the trade union law, a minimum of 50 workers over 20 years of age in an industrial plant are allowed to organize a union. Only one union is permitted in each plant. The trade union law mandates all the workers to join the union in the plant where a union is formed. The trade union is legally allowed to keep those who do not join the union away from work until they join the union. Actually, however, many of the workers in plants where a union is formed do not join it, probably because they are afraid of giving a negative impression to their employers, or because they are simply not interested in the union.

One of the important features of the trade unions in Taiwan is that they are prohibited by law from striking. If there is trouble between the union and the management, the workers may go to the central or local government to complain, and the problems are usually settled there. Another important feature of the trade unions in Taiwan is that they generally cooperate with management and are not very active. For example, they rarely demand wage increases, and only complain to the manage-

ment when union members complain about being laid-off or penalized. Furthermore, the union very often consists not only of the production workers, but also the office workers, foremen, engineers, and even the middle managers, that is, all employees in the plant except the top management. Although the trade unions are not exceedingly active in Taiwan, their number is constantly increasing, mainly because the government is currently encouraging workers to organize, especially in large firms.

I previously discussed the low unemployment rates and increasing labor mobility in Taiwan. Surprisingly, except in the electronics industry, no firm Galenson interviewed had ever dismissed an employee except for disciplinary reasons. Even during the 1974 recession, those firms he interviewed refrained from hiring workers from outside and shifted workers to other jobs, instead of simply laying off workers. This is likely to be a reflection of the rapid growth of most firms in Taiwan.

Because of the rapid growth of firms in Taiwan, hiring workers away from other companies seems to be a common practice. According to Galenson, however, the personnel directors of the 20 factories in an industrial suburb of Taipei agreed that they would not attempt to hire one another's employees, and American firms are said to refrain from hiring workers from one another by an arrangement worked out through the local U.S. Chamber of Commerce. Japanese subsidiaries in one local area are also said voluntarily to refrain from hiring workers from other Japanese subsidiaries in that area.

The role of female workers in the economic development of Taiwan, especially the development of manufacturing industry, should not be overlooked. For example, female workers composed only 30.8% of the national total labor force in January 1976, but their share of the labor force in manufacturing industry in that month was 46.6%. Female workers' share of the national total labor force in 1980 was 33.0% and their share of the labor force in manufacturing industry 37.8%. It should be noted that, while female workers' share of the national total labor force is increasing, their share of the labor force in manufacturing industry is declining. Furthermore, 46% of female workers were between 15 and 24 years old in 1975 and that age group made up 43.9% of female workers in 1980. The majority of newly hired female workers in manufacturing industry seem to be in the above age group and unskilled. From this evidence, it may be argued that the role of female workers in the development of manufacturing industry was considerable, but that their role in manufacturing industry, especially, that of young unskilled female workers, is gradually declining. This may indicate that manufacturing industry in Taiwan is gradually shifting from labor intensive industries to less labor intensive ones.

The areas where young unskilled female workers make up a large part of the work force include the export processing zones. Taiwan is the first country in East Asia where the export processing zones were established. There are now three export

processing zones in Taiwan. Two are located in Kaohsiung and one in Taichung. No tariffs, well established infrastructure, and other factors are considered the advantages of the firms operating in export processing zones. On the other hand, the firms operating in such zones in Taiwan have the following disadvantages, from their own viewpoints: the high labor turnover rate in those zones, no capital gain through purchasing land, the intervention of the control centers of the export processing zones in the management of the firms in those zones, and the ease with which trade unions can exchange information within these zones. The reason why the labor turnover rate is much higher inside the export processing zones than outside are that excess demand for labor exists in those zones and that workers can easily obtain a variety of information about hiring, wage rates, and working conditions of other firms in the same area. Of course, most of the above mentioned disadvantages may be applied to the industrial areas in Taiwan, too.

III Japanese Subsidiaries in Taiwan

Japanese investment in Taiwan started in 1953 and, according to *Kaigai Shinshutsu Kigyo Soran (1984)*, there were 478 Japanese subsidiaries in Taiwan in June 1983. Of these, 431 (about 90%) are in the manufacturing sector. The peaks for the establishment of Japanese subsidiaries in Taiwan are 1968 and 1973 (83 Japanese subsidiaries in 1968 and 88 in 1973) [Koryu

Kyokai 1983: 39–40]. The 1968 peak was caused by the completion of the Kaohsiung Export Processing Zone (EPZ) in 1966 and the peak in 1973 by Japanese subsidiaries starting operations, following the completion of Nantze and Taichung EPZ's in 1971. In our survey, 46.8% of our sample started operations from 1967 through 1971. Moreover, according to *Kaigai Shinshutsu Kigyo Soran* (1984), more than half of the Japanese subsidiaries in Taiwan invested in Taiwan because of low labor costs, and more than one third did so because of the expansion of the market in Taiwan and third countries such as Japan, U.S., and Europe.

According to one study, both the average number of employees of Japanese subsidiaries in Taiwan and the capital thereof are lower than in U.S. subsidiaries in Taiwan [Investment Committee 1983]. Furthermore, wage rates in Japanese subsidiaries, many of Japanese top and local middle managers interviewed by us think, are lower than that in U.S. subsidiaries by about 20%.

Japanese subsidiaries in Taiwan can be divided into two groups, depending on their location, that is, either the Taipei area or the Kaohsiung and Taichung areas. This separation can be justified because differences in the labor market and in the characteristics of Japanese subsidiaries in these two areas. The Japanese subsidiaries in the Taipei area produce products for the domestic market, while those in the Kaohsiung and Taichung areas produce products for foreign markets, such as Japan, the United States, and Europe. Many of the Japanese subsidiaries in the

Kaohsiung and Taichung areas are located in export processing zones.

Generally speaking, the Japanese equity shares of Japanese subsidiaries are about 50% in the Taipei area, but more likely to be 100% or close to 100% in the Kaohsiung and Taichung areas. The Japanese equity share of Japanese subsidiaries is controlled by the government and mainly depends on the proportion of the products being exported. The Japanese equity share of Japanese subsidiaries in Taiwan, according to our survey, is 74.8% on average, which is greater than in the ASEAN countries, excluding Singapore where there is little restriction on foreigner's equity share, except in trading companies. This figure may reflect the free trade zones in Taiwan, where most Japanese subsidiaries are 100% Japanese owned firms. This can be seen from Table 1. At the early stage of Japanese direct investment in Taiwan in the 1960s, foreigner's equity share was rather free, but is now restricted, and, as mentioned previously, the maximum foreign equity share is determined by the government, depending on what proportion of its products the firm exports.

Japanese subsidiaries are generally considered large in Taiwan. Concretely, 45 out of 81, that is, 55.6% of the Japanese subsidiaries in our survey, are considered

Table 1 Japanese Equity in Japanese Subsidiaries in Taiwan

Japanese Equity	—	50%	—	100%	Total
No. of Japanese Subsidiaries	16	11	21	34	82
% in Each Cell	19. 5	13. 4	25. 6	41. 5	100

large firms by Taiwanese standards, that is, a minimum of one million U.S. dollars capital. The average capital of Japanese subsidiaries in our survey is just over two million U.S. dollars.

The special organizational feature of Japanese subsidiaries is that, while the directors are local Chinese, the president is Japanese and, while the section chiefs are local Chinese, the president's staff section is generally made up of Japanese personnel. Of course, these Japanese personnel occasionally give advice to the section chiefs, that is, the local middle managers. In this way, localization is proceeding in the personnel policy of Japanese subsidiaries.

Group decision-making, which is a special feature of Japanese management, for example management meetings and section chief meetings, are prevalent in Japanese subsidiaries in Taiwan.

One of the problems of Japanese subsidiaries in Taiwan is the difficulty of hiring and keeping college graduates and, as a result, there are not enough qualified personnel for technology transfer to Japanese subsidiaries in Taiwan. Japanese subsidiaries have not hired many college graduates, because they are mainly production bases for their mother companies in Japan so that many college graduates are not necessary. One of the major reasons why the college graduates in Japanese subsidiaries are liable to quit is that they have difficulty in getting accepted by their coworkers who are generally older, have worked for the company longer, and are non-college graduates.

The labor turnover rates of Japanese

subsidiaries are generally considered to be rather low by Taiwanese standards, but are, on average, more than double those of firms with a minimum of 30 employees in Japan. Japanese subsidiaries do not usually practice regular annual hiring, although some do for female junior or senior high school graduates, because males are required to do military service when they become 20 years old, unless they go to college.³⁾ Those who go to college are required to do military service after graduation. Thus, most Japanese subsidiaries are said to hire male workers after they finish military service.

IV The Management of Japanese Subsidiaries

In this section, I will discuss what type of management Japanese top managers of Japanese subsidiaries in Taiwan use. First, I will discuss the localization of Japanese subsidiaries in Taiwan. Among Japanese top managers of Japanese subsidiaries in Taiwan, 78% said that they had adopted localization as a basic management policy, while only 22% said that they had adopted the same policy in Taiwan as in other countries. The proportion of Japanese subsidiaries practicing a localization policy in Taiwan, 78%, is similar to those in the Philippines and Singapore, and slightly smaller than those in Thailand, Malaysia, and Indonesia.

3) One manufacturing company we visited practices annual regular hiring for senior high school, polytechnic, and college graduates, but not for ordinary laborers.

Localization can be seen in the proportion of Japanese personnel managers, managers, and supervisors in Taiwan, that is, 24.0%, 20.9%, and 18.2%, respectively. The proportion of Japanese personnel managers is similar to those in the Philippines and Indonesia, and less than those in Singapore, Malaysia, and Thailand. The proportion of Japanese managers in Taiwan, 20.9%, is much smaller than those of most of the ASEAN countries, except the Philippines, 17.6%. On the other hand, the percentage of Japanese supervisors in Taiwan, 18.2%, is much greater than those in all the ASEAN countries. For example, the highest figure for the ASEAN countries is 8.4% in Malaysia. This figure indicates that localization in Japanese subsidiaries in Taiwan is progressing more slowly in terms of supervisors, that is, on the production line, than in all ASEAN countries. From this evidence, it can be argued that Japanese subsidiaries in Taiwan are very cautious about the localization of production lines, partly because many Japanese subsidiaries in Taiwan are production bases for their mother companies in Japan, partly because they consider quality and production control two of the most important factors of their management, and partly because they may have relatively less pressure from the local government on localization in Taiwan than in ASEAN countries, except Singapore.

The three major problems with local partners on management policy in Taiwan concern marketing, personnel policy, and pricing policy. The marketing policy problems may often occur when local part-

ners were originally the local agents for the products of Japanese companies, because the interests of Japanese subsidiaries are not necessarily consistent with those of local agents in some areas, especially marketing policy. Pricing policy disagreements may be another example of the different interests of Japanese subsidiaries and their local agents. Personnel management policy problems may occur when the local partners introduce nepotism in hiring and promoting workers. Of course there are certainly a variety of advantages for Japanese firms in choosing local agents as partners for their subsidiaries.

Japanese top managers' Japanese style management policies of Japanese subsidiaries in Taiwan are ranked as follows: (1) emphasis on management philosophy and objectives, 83%, (2) employment stabilization, 81%, (3) emphasis on smooth human relations, 71%, (4) the seniority-based wage system, 45%, (5) the *ringi* system, 43%, (6) job rotation, 39%, (7) little dependence on job manuals, 38%, (8) the seniority-based promotion system, 34%, (9) group decision-making, 32%, (10) the minimization of the status difference between workers and managers, 30%, (11) one big office, 29%, and (12) group responsibility, 22%.

The emphasis on the management philosophy and objectives of Japanese firms seems to be influenced by Confucianism. Thus, they are likely to be very smoothly accepted by Chinese workers in Taiwan. This may explain why the proportion of Japanese subsidiaries adopting this policy in Taiwan is much higher than in all the ASEAN

countries. This policy is used to raise the workers' moral.

The percentage of Japanese subsidiaries using an employment stabilization policy in Taiwan, 81%, is similar to those in Singapore and Indonesia and greater than in the Philippines, Malaysia, and Thailand. This may be because of the high labor turnover rates in Taiwan. The same thing can be said for Singapore. In Taiwan, some U.S. subsidiaries actually laid off workers during the 1974 recession, while Japanese subsidiaries have seldom laid off workers. During the downturn of the economy, Japanese subsidiaries asked for voluntary job separation at most and some have never even asked this. Instead, they transfer some workers to other jobs within the same firm. For example, one Japanese manufacturing subsidiary in Taipei transferred some of its workers from the factory to the marketing section for a couple of months, in order to promote the sale of their products.

The percentage of Japanese subsidiaries using the seniority-based wage system in Taiwan, 45%, is about the same as the average for the ASEAN countries. According to Galenson, local firms are gradually adopting this seniority-based wage system combined with the merit system, in order to avoid losing skilled workers [Galenson 1979: 434]. The percentage of Japanese subsidiaries using the *ringi* system in Taiwan is 43%, which is much higher than in all the ASEAN countries, because many local Chinese in their late 40 and 50 working for Japanese subsidiaries can still read and speak Japanese so that the *ringi* system may be applicable in Taiwan. Note

that the number of local Chinese workers who can read and speak Japanese is declining, especially in the Taipei area. Thus, Japanese subsidiaries will have difficulties in using the *ringi* system in the future. The percentage of Japanese subsidiaries using job rotation in Taiwan, 39%, is higher than in the ASEAN countries, except Singapore, 46%. The percentage of Japanese subsidiaries promoting lack of dependence on a job manual, 38%, is also higher than in the ASEAN countries, except Singapore, 52%.

The percentage of Japanese subsidiaries using the seniority-based promotion system in Taiwan, 45%, is about the same as the average for the ASEAN countries, and is lower than that for Japanese subsidiaries using the seniority-based wage system by 11%. This may reflect the fact that, while the seniority-based wage system may not reduce workers' productivity [Lazear 1979], the seniority-based promotion is more likely to do so, like the rigid seniority promotion system in unionized firms in the United States.

The percentage of Japanese subsidiaries using group decision-making, 32%, is smaller than in the ASEAN countries, except Thailand. However, Urabe and I got the impression, during our visit to Taiwan in November 1983, that a variety of group meetings are prevalent in Japanese subsidiaries. The percentage of Japanese subsidiaries promoting the minimization of the status difference between workers and managers, 30%, is about the same as the average for the ASEAN countries. The percentage of Japanese

subsidiaries using a policy of group responsibility, 22%, is higher in Taiwan than in the ASEAN countries, except Indonesia, but the difference is not large.

Policies adopted to reduce the number of workers leaving the company are ranked as follows: (1) commendations for long service, 65.9%, (2) internal promotion, 64.7%, (3) smooth human relations between workers and managers, 64.7%, (4) continuous training, 60.0%, (5) improvement and expansion of welfare facilities, 50.6%, (6) the seniority-based wage system, 45.9%, (7) retirement payments and a pension scheme, 43.5%, (8) small group activities, 43.5%, (9) high productivity — high wage policy, 27.1%, (10) job rotation, 24.7%, and (11) a scheme to encourage workers to buy houses, 1.2%.

The percentage of the Japanese subsidiaries commending workers for long service in Taiwan is similar to that in Singapore where job hopping is a serious problem and greater than those in other ASEAN countries. This may indicate that many Japanese top managers of Japanese subsidiaries believe that it is necessary, in countries like Singapore and Taiwan where a job hopping is a serious problem, to commend employees for long service in their current firm.

Many Japanese subsidiaries in Taiwan use internal promotion, which is the second ranked policy for employment stabilization in Japanese subsidiaries in Taiwan, as well in the ASEAN countries. However, the percentage in Taiwan, 64.7%, is smaller than those in the ASEAN countries, except Thailand, 60.7%. The figure for Singa-

pore is 77.5% which is the highest in the ASEAN countries. The other second ranked policy for employment stabilization in Japanese subsidiaries in Taiwan, is smooth human relations between workers and managers. The fourth ranked, at 60.0%, is continuous training. The top four policies for employment stabilization in Taiwan are exactly same as those in Singapore, although the order differs. The fifth ranked policy, at 50.6%, is improvement and expansion of welfare facilities. Note that the government in Taiwan is encouraging the improvement and expansion of welfare facilities through the law governing employees' welfare funds. Thus, many local firms in Taiwan are trying to improve welfare facilities, and consequently this policy may not be particularly effective in improving employment stabilization in Japanese subsidiaries, although poor welfare facilities may lead to high labor turnover rates.

Small group activities, as a special feature for improving productivity under Japanese management, are being positively promoted in Taiwan. For example, the percentage of Japanese subsidiaries using suggestion schemes in Taiwan is higher than in the ASEAN countries, except the Philippines, and that of Japanese subsidiaries using QC circles in Taiwan is higher than in all the ASEAN countries. In addition, many Japanese subsidiaries which are not using QC circles yet plan to use them in the near future. This may reflect the high quality of workers in Taiwan in terms of education, which is one of the major requirements for successful

small group activities.

The percentage of Japanese subsidiaries using a fixed salary system in Taiwan, 61.2%, is similar to that in Singapore, 62.5%, and the percentage of Japanese subsidiaries using both fixed salaries and incentive wage systems in Taiwan is 38.8%, while that in Singapore is 35.0%. The figures for Taiwan and Singapore are close, compared to those for other ASEAN countries. The percentage of Japanese subsidiaries using a daily-rated monthly salary system in Taiwan, 51.8%, is greater than those in all the ASEAN countries. This indicates that a much greater proportion of Japanese subsidiaries in Taiwan belong to the manufacturing sector than in the ASEAN countries and production workers outnumber office workers in such companies in Taiwan. Generally speaking, production workers in Taiwan are paid a daily-based monthly salary.

The percentage of Japanese subsidiaries in Taiwan using job category as the criterion for the determination of wages, 26.5%, is greater than in all the ASEAN countries. Thus, the method of wage determination in Japanese subsidiaries in Taiwan is slightly closer to that of Japanese firms in Japan than those in ASEAN countries. A high percentage of Japanese subsidiaries in Taiwan, 90.6%, differentiate employees' wage increases, on the basis of job evaluation. Most fringe benefits in Japanese subsidiaries in Taiwan are better than, or at least as good as, those in the ASEAN countries, except overtime payment. The average wage supplement for overtime work in Japanese subsidiaries in Taiwan, 41.5%,

can be said to be rather small, compared with ASEAN countries, except the Philippines, 40.2%. This might be because many Japanese firms, about 40% of Japanese subsidiaries in Taiwan, set overtime payments at about the legal minimum for overtime payment in Taiwan, that is, 33% above regular hourly wage rates.⁴⁾

The percentage of Japanese subsidiaries providing retirement allowances, 90.6%, is fairly high compared with those in the ASEAN countries. In Taiwan, the government compels firms to provide workers with less than three years of service one month's salary for each year of service, and workers with over three years 10 days salary for each full year of service over three years, in addition to three months salary, when the firm lays off workers. This may be why a high percentage of Japanese subsidiaries provide retirement allowances in Taiwan.

Japanese subsidiaries in Taiwan pay their workers bonuses averaging 2.6 months salary, which is greater than those in ASEAN countries. In Taiwan, local firms are said to provide two months salary as a bonus on average. It is common for local firms to give bonuses to employees twice a year, once before the mid-autumn festival and once before the Chinese new year.

The welfare facility standards of Japanese subsidiaries in Taiwan are not generally

4) About 40% of other Japanese subsidiaries in Taiwan set their overtime payment at 50% above regular hourly wage rates. Note that the legal range for overtime payments is somewhere between 33% and 66% above the regular hourly wage rate.

high compared with those in ASEAN countries. The only exceptions are provision of working uniforms and company housing and dormitories. In particular, the percentage of Japanese subsidiaries having their own clinics in Taiwan is only 25.9%, while the lowest percentage in ASEAN countries is in Singapore, that is, 49.0%. This may be explained by the relatively high availability of medical and dental services in Taiwan. Furthermore, the percentage of Japanese subsidiaries having their own sports facilities is only 25.9%, which is much lower than in ASEAN countries, except Singapore, 32.7%. According to Yamashita, the percentage of Japanese subsidiaries providing their own clinics in Taiwan is lower than that of local firms by 12 percentage points, and that of Japanese subsidiaries having sports facilities is lower than that of local firms by 27 percentage points [Yamashita 1980: 42]. Moreover, according to our survey, the percentages of Japanese subsidiaries having company housing and dormitories, clinics, and sports facilities in Taiwan are 42.8%, 22.4%, and 25.9%, respectively. On the other hand, the percentages for local manufacturing firms (the last item is sports fields instead of sports facilities) in 1979 were, 64.0%, 31.8%, and 35.6%, respectively [Koryu Kyokai 1982: 36]. From these figures, one gets the impression that Japanese subsidiaries in Taiwan are neglecting welfare facilities for their employees, compared with Japanese subsidiaries in ASEAN countries and local firms in Taiwan. Note that, according to our interviews with Japanese top, and local middle,

managers of Japanese subsidiaries in Taiwan, generally speaking, many of them seem to believe that the welfare facilities of Japanese subsidiaries exceed those of local firms, except for some large local public firms such as China Steel. With regard to sports facilities such as sports fields, many of the Japanese subsidiaries whose factories are located in the free trade zones may have difficulty in providing sports fields for their employees, because of limited space.

The promotion system in Japanese subsidiaries in Taiwan is not very different from those in most of the ASEAN countries, that is, the majority of Japanese subsidiaries use a combination of seniority and merit systems for promotion, while some others use the merit system alone. The proportion of Japanese subsidiaries using the internal promotion system rather than recruiting from outside in Taiwan, 75.3%, is high compared with those in ASEAN countries. For example, the figure for Indonesia is 75.8%, which is the highest percentage for the ASEAN countries. This figure may reflect the longer average service of local middle managers of Japanese subsidiaries in Taiwan. That is to say, although the labor turnover rate is high in Taiwan, this is especially true for young males and females. After 30 years of age, labor mobility drops, and this may make the internal promotion system applicable in Taiwan.

The two unique features of manpower training in Japanese subsidiaries in Taiwan are: (1) a greater percentage of Japanese subsidiaries in Taiwan send their employees

to Japan for training and (2) the percentage of Japanese subsidiaries using job rotation as part of training in Taiwan is similar to the situation in Singapore, which has the highest figure among the ASEAN countries. The first feature may reflect the fact that Taiwan is much closer to Japan in terms of both distance and culture than the ASEAN countries and that more local employees in Taiwan can speak Japanese than in the ASEAN countries. The second feature may reflect the high educational standards of the employees. For example, the percentage of workers with below primary education in the labor force is 18.7% for Taiwan in 1970, while the figures are 75.4% for Indonesia in 1976, 88.9% for Thailand in 1975, and 44.8% for the Philippines in 1975 [Kaneko 1983: 116].

The percentage of Japanese subsidiaries having labor unions in Taiwan, 54.1%, is not very different from those in ASEAN countries, except Indonesia, 74.6%. According to the trade union law in Taiwan, if there are a minimum of 50 employees over 20 years of age in the same plant, those employees are allowed to organize a union in that plant. Considering this law, the above figure seems low, but will rise gradually because the government is currently encouraging workers to organize in many plants in Taiwan. For example, employees were organizing a union in one of these Japanese subsidiaries we visited for interviews in November 1983. The majority of the labor unions in Japanese subsidiaries in Taiwan are enterprise unions the percentage of which, 56.8%, is greater than in ASEAN countries, except Thailand,

74%. This evidence may reflect the recent government policy on industrial relations, that is, "making the factory a family and making the factory a school", which implies cooperative employer-employee relations, one important good feature of Japanese style management [Urabe and Omura 1983: 108]. Even among Japanese subsidiaries without any union in Taiwan, those which do not have any place for both employer and employees to communicate with each other are fewer than in ASEAN countries. For example, one Japanese manufacturing subsidiary in the Taipei area has quite cooperative relations with its labor union. Unions in Taiwan are generally not positive about discussing wages and bonuses with the management side. However, this trade union does discuss wage rates and bonuses with management. Moreover, its officials investigate whether or not the workers were satisfied with their bonuses. A greater proportion of Japanese subsidiaries in Taiwan have union shops than in ASEAN countries, except the Philippines. This may be a result of the trade union law in Taiwan, which states that a labor union of a particular plant is allowed to force non-union workers in that plant away from work until they join the union.

More unions of Japanese subsidiaries in Taiwan consist of not only laborers and operatives, but also office workers, foremen, engineers, and even middle managers, than in ASEAN countries. This is a common practice in Taiwan, as mentioned in section II. The rate of unionization in Japanese subsidiaries in Taiwan is higher than in the

ASEAN countries. This may again reflect the trade union law in Taiwan mentioned in section II. The percentage of Japanese subsidiaries which have experienced any serious, or even minor, employer-employee troubles in Taiwan is smaller than in the ASEAN countries. This may again reflect the prohibition of striking in Taiwan, because of her special political situation. Although workers are not allowed to strike in Taiwan, they may express their dissatisfaction by a go-slow, all giving in sick-notes, or asking street gangs to threaten the managers.

V Local Middle Managers' Evaluation of Japanese Management

The average age of the local middle managers of Japanese subsidiaries in Taiwan, 44.3 years, is slightly lower than that of Japanese top managers in Taiwan, 48.5 years, and is higher than the corresponding figures in the ASEAN countries. The average length of service of local middle managers in their current firms is 10.8 years, rather long compared with those in the ASEAN countries, even if we take into consideration the fact that Japanese subsidiaries started operations in Taiwan early, that is, in 1970 on average.

The majority of the middle managers came to their current firms after leaving other firms. The majority, 59.0%, came from local private firms, 18.9% from government offices, 14.8% from other Japanese firms, and only 6.6% from American firms, whose wage rates and working

hours are, respectively, higher and shorter than those of Japanese subsidiaries.

While little chance of learning new technology is the most frequent reason why the local middle managers of Japanese subsidiaries left their previous organizations, more chance of learning new technology is the most frequent reason why they chose to work for their current firms. This may indicate that new technology in Japanese subsidiaries, especially, quality and production control, are evaluated by local middle managers very highly. Quality and production control are considered to be fairly advanced in Japanese companies in general [Yoshihara 1984: 241-246].

The second and third most frequent reasons why local middle managers chose their current firms are better working conditions and the good reputation of their current firms. More than half the local middle managers gave these reasons. Most of the local middle managers of Japanese subsidiaries we interviewed have the impression that the working hours in Japanese subsidiaries are not so long as those in local firms. This may be why they say working conditions are better in Japanese subsidiaries than in local firms. The relatively good reputation of Japanese subsidiaries in Taiwan (better than in the ASEAN countries) may reflect the historical close relations between Japan and Taiwan. The local middle managers of Japanese subsidiaries in ASEAN countries do not evaluate these features of Japanese firms so highly as those in Taiwan.

The fourth reason for choosing their current firms is stable employment. Only

about one third of the local middle managers in Taiwan gave this reason. On the other hand, they did not give better status or position, better prospects of advancement, and higher salary or wages in their current Japanese subsidiaries much weight. This indicates that, from the local middle managers' viewpoint, Japanese subsidiaries in Taiwan are not significantly attractive in terms of promotion and wage system. According to the Japanese top and local middle managers we interviewed, the wage rates of Japanese subsidiaries are lower than those of American ones by 20% and higher than or equal to those of local firms.

A higher percentage of local middle managers of Japanese subsidiaries in Taiwan, 61.0%, are sent to Japan for training than in the ASEAN countries. Furthermore, if we add the local middle managers who are sent to Japan as a reward for their services to their current firms on which information is not available, a much higher percentage of local middle managers of Japanese subsidiaries in Taiwan were sent to Japan than in the ASEAN countries.

The local middle managers of Japanese subsidiaries in Taiwan who said that they were very proud of working for their companies amounted to only 30.8% of the respondents, which is well below the figure for the ASEAN countries, the lowest of which was 61% in Indonesia. On the other hand, about half of the local middle managers in Taiwan said that their current companies had a good reputation. Those who said that they were not proud of their companies comprised 21.7% of the re-

spondents, while the percentages in all the ASEAN countries are zero or almost zero. Next, 73.4% of the local managers in Taiwan say that they are definitely committed to their companies, which is higher than in the ASEAN countries. These two answers show that the majority of local middle managers of Japanese subsidiaries in Taiwan are not very proud of working for their companies but definitely do what they ought to do for them. Thus, the majority seem to be very practical and individualistic. This may lead to the answers to Question 46, "Do you think that job descriptions specifying each job's authority and responsibility in detail should be made available to local staff?", to which 90.6% answered yes. The pattern of answers to Questions 17 and 18, "Do you have a feeling of participation in the management of this company?" and "What type of management, would you say, prevails in this company, authoritative management or participative management?", show the great similarities between Taiwan and Singapore. That is to say, in both countries, less than half the local middle managers of Japanese subsidiaries feel that they participate strongly in the management of their companies, and more than half say that authoritative (top-down) management prevails in their companies. Since the majority of local middle managers of Japanese subsidiaries in Taiwan feel that the management of their companies is authoritative, it is more than likely that the local workers will feel the same.

The proportion of local middle managers of Japanese subsidiaries in Taiwan who

said that there were some communication barriers between Japanese staff and local staff in their companies is similar to those in most of the ASEAN countries. Since more Taiwanese local middle managers can speak Japanese, one might expect that the language barrier in Taiwan would be relatively less important than in the ASEAN countries. According to our survey, however, half the Taiwanese local middle managers of Japanese subsidiaries chose the language barrier as one of the three most important communication barriers. The language barrier in Taiwan is not only the most important barrier but also considered as important, or even more important, than in the ASEAN countries. The second most important barrier is that Japanese management is geared too much to the head office in Japan, 30.6%, and this may reflect the fact that many Japanese subsidiaries are fully owned by Japanese. The third most important barrier is value differences, 28.5%. This may reflect the fact that Japanese staff seem to be impatient from local staff's point of view. The fourth most important barrier is differences in customs, but only 20.2% of the respondents chose this answer. Other barriers are, no personal relations outside the workshop between Japanese and local staff, Japanese staff's short stay in Taiwan, and Japanese staff tendency to form a closed and exclusive circle, each chosen by about 20% or less of the respondents. Thus, these barriers are not considered very important in Taiwan.

The 57.1% of local middle managers in Taiwan who think that Japanese staff are

willing to transfer new technology or management know-how through on-the-job training are more numerous than in the ASEAN countries, except the Philippines, 60.5%. This answer is consistent with the previous answers, that is, more chances of learning new technology.

The percentage of the local middle managers of Japanese subsidiaries in Taiwan who say that they rarely observe job hopping among their acquaintances, 41.4%, is higher than in the ASEAN countries, except Thailand, 52.3%. However, the percentage who say that they think job hopping is perfectly natural and OK is 48.6%, while the highest figure in the ASEAN countries is in the Philippines, 15.8%. Furthermore, if we add those who think that job hopping is undesirable but justified to the above answers, we will see that about 80% of local middle managers think that job hopping is perfectly natural or, at least, justified. This result may reflect the lack of separation between the owners and the managers of local firms in Taiwan, and the fact that there is almost no chance of local middle managers in Taiwan becoming top managers, unless they are the owners, their relatives, or their acquaintances. This figure is much higher than in the ASEAN countries, and may explain why job hopping is considered a serious problem in Taiwan. For example, only 6.1% of the local middle managers of Japanese subsidiaries in Singapore, where job hopping is a serious problem, said that job hopping was perfectly natural and OK. This may become a bottleneck of the high technology transfer through transnational

corporations to Taiwan in the future.

According to our survey, middle managers' satisfaction with their pay is not very different in Taiwan and the ASEAN countries. However, the percentages of local middle managers in Taiwan who said that they are very satisfied with job responsibility, relations with their chiefs, and relations with their peer group are 36.6%, 42.4%, and 33.3%, respectively, generally much lower than those in ASEAN countries. Moreover, the percentage of local middle managers of Japanese subsidiaries in Taiwan who are very satisfied with their prospects of advancement is not high, compared with those in ASEAN countries. We may thus argue that more local middle managers of Japanese subsidiaries in Taiwan are not very satisfied with the above aspects of their companies, compared with those in the ASEAN countries.

The percentage of local middle managers of Japanese subsidiaries in Taiwan regularly participating in regular management meetings, 68.3%, is higher than in the ASEAN countries, and their average attendance rate is higher than in ASEAN countries, except the Philippines. Moreover, the percentage of the local middle managers of Japanese subsidiaries in Taiwan who said that they often found ample opportunities to voice their opinions on management decisions is much higher than in ASEAN countries. Thus, in terms of management policy, they seem to be relatively more satisfied with their companies, compared with local middle managers in ASEAN countries. These figures are not consistent with the percentage of

middle managers who said that authoritative management prevails in their companies, that is, 53.6%.

On the other hand, the percentage of the local middle managers of Japanese subsidiaries in Taiwan who have regular group meetings with their subordinates, 43.6%, is lower than in ASEAN countries, except Thailand, 39.5%. This indicates that local middle managers do not pay much attention to the opinions of their subordinates, in that they listen to their subordinates' opinions at regular meetings less frequently than those in ASEAN countries, except Thailand. The primary purpose of group meetings in Japanese subsidiaries in Taiwan, according to local middle managers, are problem solving, 88.7%, goal-setting, 59.9%, and socialization, 42.3%.

There is a very interesting pattern to the answers of the local middle managers of Japanese subsidiaries in Taiwan to Question 34, "Do you think that these group meetings should be held only within normal working hours?". The percentage of those who answered yes is 42.8% in Taiwan, but in ASEAN countries is generally much lower. And the percentage of those who answered no is 30.4% in Taiwan, but in ASEAN countries is zero or almost zero. These figures show that, in Taiwan, there is a dichotomy in the local middle managers' opinions on whether or not group meetings are part of regular work. Individualism is considered to be very strong among them, but most, 98.6%, do agree with encouraging team work to achieve group objectives rather than individual performance, as do those in the ASEAN countries. Further-

more, according to our survey, most of the local middle managers in Taiwan feel that, if a colleague should suddenly fall sick, it is their duty to look after his work, 71.5%, or say that they are happy to help a friend in an emergency, 23.6%.

The incentives which the local middle managers of Japanese subsidiaries in Taiwan think are important in motivating local workers to improve productivity are, excellent leadership encouraging team work, money incentives, and job enrichment or making jobs interesting. Most, 92.9%, disagree with merely using the seniority rule as the criterion for promotion.

According to our survey, all the local middle managers of Japanese subsidiaries in Taiwan offer friendly counselling to their subordinates on their private affairs as well as job related matters, and they do so 5.6 times a month on average, which is higher than the figures for the ASEAN countries, except Thailand, 9.7 times a month. Moreover, if they found an employee incapable or unfit for the job, 74.3% said they would transfer him to another job in the same company, and 11.9% that they would find him a job in another company. Just a small percentage said they would either press him to resign or fire him, and this indicates that the majority are paternalistic. Thus, on average, the local middle managers of Japanese subsidiaries in Taiwan care about their subordinates more than those in ASEAN countries. We should, however, note that, according to our interviews with Japanese top managers in Taiwan, many of them feel that the local middle managers in their companies

do not really care about their subordinates.

According to our survey, most of the local middle managers of Japanese subsidiaries in Taiwan think that the managers should try to make as many opportunities to communicate with the ordinary workers as possible. Concretely, only 27.9% think that managers should be given their own private offices, and the percentages of those who like to participate in games or club activities and the annual dinner party sponsored by the company or the recreational committee are 82.4% and 95.8%, respectively. Furthermore, the percentage of the local middle managers in Taiwan who have lunch with workers in the company canteen is 87.0%, which is higher than in the ASEAN countries, except the Philippines, 89.4%. Most of the local middle managers in Taiwan, 95.7%, think it is not necessary for managers to be provided with a company restaurant separated from the canteen for workers. From these figures, we may argue that the ideas of the local middle managers of Japanese subsidiaries in Taiwan on mensualization are not very different from those in the ASEAN countries. Moreover, from the above answers, one may argue that the local middle managers of Japanese subsidiaries in Taiwan are distinguishing more opportunities for the managers to communicate with the workers by minimizing the status difference between them. They agree with the first opinion but not necessarily the latter.

The percentage of the local middle managers in Taiwan who think that job descriptions specifying authority and

responsibility in detail should be made available to local staff, 90.6%, is higher than in all the ASEAN countries. This may be related to many Japanese subsidiaries' policy of relying little on job manuals and the local middle managers' preference for a clear and detailed description of their job.

The main features of their companies' management with which local managers are satisfied are, "even top managers mix with workers", "good chance to learn technology and know-how", "good human relations between Japanese and local staff", and "good team spirit prevails", in that order. Then comes, "the status difference between managers and workers is very small". These are exactly the same as those in Singapore, although the order differs. However, the local middle managers in Taiwan do not highly evaluate career advancement, no severe punishment for mistakes or failures, and no lay-offs. Of course, these results do not indicate that the local middle managers think that their companies should use lay-offs and severe punishment for mistakes or failures.

Local middle managers consider the major weak points of the management of their companies are, no clear responsibility for individuals, poor training opportunities, and slow decision-making, in that order. On the other hand, only 14.6% think that poor chances of promotion is one of the weak points of their companies' management. Thus, although only 14.6% of the local middle managers think that good chances of career advancement is one of the most satisfying features of their companies'

management, the majority of the remainder do not think that poor chances of promotion is one of its weak points. Only 15.3% of the local middle managers chose to work for their current companies because of better prospects of advancement. We may thus argue that, although the majority of the local middle managers of Japanese subsidiaries in Taiwan do not expect good chances of career advancement in their current companies, they are not exceedingly disappointed about promotion either.

As mentioned above, slow decision-making is considered one of the weak points of their companies' management by 31.1% of the local middle managers in Taiwan. However, 91.2% welcome the consensus approach to decision-making in Japanese management. Thus the consensus approach to decision-making is still favored by most of the local middle managers of Japanese subsidiaries in Taiwan, as well as those in the ASEAN countries. The percentage of the local middle managers in Taiwan who strongly favor opportunities for job rotation, 87.4%, is higher than in the ASEAN countries, and the percentage who think that even the workers should be given the chance of job rotation, 82.4%, is high and not very different from those for the ASEAN countries. These results show that most of the local middle managers of Japanese subsidiaries in Taiwan have a positive attitude towards job rotation.

These attitudes suggest that local middle managers of Japanese subsidiaries in Taiwan think that good opportunities to learn technology and know-how, such as quality and production control, is one of the

most satisfying features of their companies' management. According to our survey, in Taiwan the percentage of Japanese subsidiaries actually practicing job rotation is only 39%. Thus, promoting job rotation may improve the satisfaction of local middle managers and workers in Japanese subsidiaries in Taiwan, although the extent to which job rotation can be practiced may be limited because of the specific characteristics of each industry, and the law governing firms and factories.

VI Concluding Remarks

From local middle managers' evaluations of management of Japanese subsidiaries in Taiwan, we may conclude that the majority think that their chances of learning technology and management know-how, such as quality and production control, are good in Japanese subsidiaries. Since Japanese companies which have advanced technology and know-how are more likely to succeed in direct investment abroad, the local middle managers of Japanese subsidiaries in Taiwan are well aware what really are the good features of Japanese subsidiaries.

It is difficult for us to understand what the local middle managers of Japanese subsidiaries really think. For example, for our survey we may conclude that most of the local middle managers are very practical and individualistic. On the other hand, they care about their subordinates more than their counterparts in the ASEAN countries. And there are other inconsistencies in their replies.

Although many Japanese subsidiaries in Taiwan pursue employment stabilization policy, the local middle managers do not necessarily appreciate these very much, probably because of the tight labor market in Taiwan. The local middle managers do not necessarily support Japanese subsidiaries' minimization of the status difference between workers and managers, while they do support efforts to provide more opportunities for managers to communicate with workers. This may reflect the fact that they themselves belong to the manager class and perhaps desire to be distinguished from the ordinary workers.

Greater use of job rotation and on-the-job training may increase local middle managers' satisfaction, although some limitations on the extent of job rotation exist. Although many Japanese top and local middle managers of Japanese subsidiaries in Taiwan think that the welfare facilities in Japanese subsidiaries are better than those in local firms, the fact is that the welfare facilities of the local firms exceed those of Japanese subsidiaries. There thus seems to be room for Japanese subsidiaries to improve their welfare facilities.

Currently the government of Taiwan is promoting cooperative industrial relations, that is, "making the factory a family and making the factory a school". This is exactly one of the most important good features of Japanese industrial relations. Thus, Japanese subsidiaries may have room to contribute to industrial relations in Taiwan, through the improvement of industrial relations and the establishments of cooperative relations between the workers

and the managers in their firms.

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